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**Water Infrastructure Finance Authority Approves
\$1.9 Million Loan to Avra Water Co-op**

Project to Address Arsenic Removal

(Phoenix, December 29, 2003) Water Infrastructure Finance Authority of Arizona Chairman Steve Owens today announced Board approval of a \$1.9 million loan to the Avra Water Co-op (AWC) for drinking water system expansion and improvements.

AWC plans to construct at least three new wells and expand storage capacity to 800,000 gallons by installing three new storage tanks. The additional well and storage capacity will help to meet current and future customer demands.

Upgrades to the treatment system are also planned, including installation of a treatment facility for Arsenic removal. Water quality in six of the seven current wells exceeds the new arsenic standard.

Construction of a booster station, water mains and pipelines will be required to convey water from the new well sites across the Central Arizona Project to the treatment facilities.

“The WIFA Board is pleased to support these important improvements to the Avra Water Co-op system which will ensure adequate storage capacity,” said Steve Owens, who is also director of the Arizona Department of Environmental Quality. “Avra also paves the way for other water systems as one of the first to receive funding from WIFA for removal of arsenic to comply with the new federal standards. We hope other communities across Arizona will follow their lead.”

EPA has mandated all drinking water systems to comply with the new federal water quality arsenic standard by January 2006. Approximately 33% of all Arizona drinking water systems exceed the new federal arsenic standard of 10 parts per billion.

Total estimated cost of the project is \$8 million. AWC will contribute \$218,000 and the balance of \$5.9 million is expected from a grant/loan to be provided by Rural Development, U.S. Department of Agriculture.

About the Water Infrastructure Finance Authority of Arizona

The Water Infrastructure Finance Authority of Arizona (WIFA) is an agency of the state authorized to finance the construction, rehabilitation and/or improvement of drinking water, wastewater, wastewater reclamation, and other water quality facilities/projects. Generally, WIFA offers borrowers below market interest on loans for 100% of eligible project costs.

As a "bond bank", WIFA is authorized to issue Water Quality Bonds on behalf of communities for basic water infrastructure. By pooling different entities' financing needs, WIFA provides significant savings through reduced borrowing amounts, lower interest rates, and shared/reduced closing costs.

WIFA's principal tools for providing low interest financial assistance include the Clean Water Revolving Fund (CWRF) for publicly held wastewater treatment projects and the Drinking Water Revolving Fund (DWRF) for both publicly- and privately-held drinking water systems. Both funds are capitalized by contributions from the state and the US Congress. Presently Arizona receives about \$20 million in federal allocations annually for the wastewater and drinking water infrastructure construction improvements.

The formula used by Congress for wastewater allocations is based on 1970's data. If the formula were based on current population and infrastructure needs, the state would receive 4 or 5 times the current allocation of approximately \$9 million.